

IRS GIVES RELIEF TO A HALF-MILLION BUSINESSES

WASHINGTON -- About one-half million more small businesses will no longer have to deposit their employment taxes because of a change in the deposit rules, the Internal Revenue Service and the Treasury Department announced today. This change means that almost one-third of the nation's 6.2 million employers will not have to deposit employment taxes.

IRS Commissioner Charles O. Rossotti said, "We were able to ease this burden on small businesses by increasing the threshold before deposits are required, from \$500 to \$1,000. This example of partnership with the small business community is only the beginning of what I hope to accomplish at the IRS for small businesses and for all taxpayers."

The change in the deposit threshold was a recommendation of the Commissioner's Advisory Group (CAG). A task force of IRS representatives from the Northeast Region, sponsored by the Taxpayer Advocate's Office, as well as the Office of Penalty Administration reviewed the proposal and recommended that Rossotti adopt it.

Rossotti said, "It is this cooperative relationship with the small business community that brings about real change and makes the process easier. I want to

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thank the members of the CAG, our own internal working groups and everyone in the business community who contributed to this needed and sensible change.”

Before this change, employers did not have to make deposits if they had less than \$500 of accumulated employment taxes -- such as social security, Medicare and withheld income taxes -- for a return period. They could instead send a payment with the return they filed for that period. Now, employers with employment tax liabilities of less than \$1,000 per return period will no longer need to make monthly deposits, relieving them of the responsibility of making as many as twelve deposits annually. Their paperwork burden will also be reduced since they generally made these deposits by paper deposit coupons.

The new rules apply to employment taxes that are reported on a quarterly or an annual basis. Therefore, they apply to Form 941, Employer's Quarterly Federal Tax Return, and also to annual employment tax returns such as Form 943, Employer's Annual Tax Return For Agricultural Workers.

The new deposit threshold applies to quarterly returns for periods beginning July 1, 1998, and for annual returns for periods beginning January 1, 1999.

In addition to today's announcement, the IRS has recently undertaken a number of initiatives to aid small businesses:

-- The IRS recently granted a six-month penalty waiver until January 1, 1999, to businesses required to deposit their taxes electronically through the Electronic Federal Tax Payment System (EFTPS) beginning July 1, 1997, or January 1, 1998;

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-- It made the use of EFTPS voluntary for taxpayers depositing less than \$50,000 annually. Payments made through EFTPS recently broke the \$1 trillion mark;

-- Last March, the IRS launched the Form 941 TeleFile service which allowed three million small businesses to file their quarterly returns using a touch-tone telephone;

-- The IRS placed special emphasis on reaching out to small businesses for the second national Problem Solving Day on May 16;

-- Last January, the IRS launched a pilot program at selected Small Business Administration (SBA) Business Information Centers to distribute IRS small business educational products, including forms and publications, CD-ROMS, and instructional videos. The IRS also worked together with the SBA to conduct nationwide small business workshops, conducting about 1,400 workshops in FY 1998;

-- The IRS established a Small Business Lab in May 1997 in the Pacific Northwest District in Seattle that is designed to test improved ways to encourage and increase voluntary compliance, deliver information to small businesses in a "one-stop service" environment, and reduce the burden of compliance on small businesses; and

-- On May 16, Commissioner Rossotti participated in the first "Conversation With Small Business America," hosted by the Charlotte, NC, Chamber of Commerce.

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